



Auditor of Public Accounts
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**Auditor Harmon Releases First Volume of Annual Statewide
Single Audit of Commonwealth of Kentucky**

*Findings on Kentucky Horse Park, East Brannon Road highway project among 43 findings for
Fiscal Year 2016*

FRANKFORT, Ky. (February 14, 2017) – Mike Harmon, Kentucky’s 47th Auditor of Public Accounts, today released the first volume of the annual statewide single audit of the Commonwealth of Kentucky for Fiscal Year 2016 (FY16) that ended on June 30th.

The first volume of the Statewide Single Audit of Kentucky (SSWAK) contains financial statement findings from the APA’s audit of the Comprehensive Annual Financial Report (CAFR) and the Schedule of Expenditures of Federal Awards (SEFA).

The SSWAK Volume One report for FY16 has 43 findings with recommendations involving 11 cabinets and state agencies. Two findings were considered material weaknesses and the other 41 findings are considered significant deficiencies. Of the 43 findings, 21 were repeat findings from the Fiscal Year 2015 SSWAK report.

Among the 41 findings with significant deficiencies, three findings include the failure of the Kentucky Horse Park to document daily receipts, perform bank reconciliations, and have adequate procedures over the processing of expenditures.

“The SSWAK findings on the Horse Park came about during our financial statement audit that we performed in conjunction with the ongoing special examination of the Kentucky Horse Park, which we began last year after receiving three separate requests to conduct an examination,” said Auditor Harmon. “We expect to release the full findings of our special examination of the Kentucky Horse Park in the coming weeks.”

Another significant deficiency finding in the SSWAK report deals with the Kentucky Transportation Cabinet’s failure to ensure the right-of-way had been obtained before

construction contracts had been let, specifically the East Brannon Road construction project in Jessamine County that cost the state \$625,000 in damages because the right-of-way had not been secured before the construction contract was let in late 2015.

“Given how strained Kentucky’s Road Fund has been over the past few fiscal years, having to pay out hundreds of thousands of dollars in penalties because they failed to follow existing state law is simply unacceptable, and we recommend KYTC establish policies and procedures to avoid any future use of tax dollars in this manner,” added Auditor Harmon. “It also further serves as proof the prior administration let the construction contract before full right of way had been obtained in violation of the law, and led to taxpayer money being needlessly spent without any return to them.”

The two material weakness findings in the SSWAK report deal with issues regarding the Cabinet for Health and Family Services’ (CHFS) implementation of Benefind, and the Department for Workforce Investment’s (DWI) financial closing package submitted to the Finance and Administration Cabinet.

Finding 2016-001 of the 2016 SSWAK report says CHFS did not ensure that Benefind, which replaced the prior system that determined benefits eligibility and enrollment for federal and state assistance programs, was working properly before it was put in place. As of April 2016, approximately 600 defects had been identified in Benefind since its implementation in February of that same year. The finding also states that staff for Benefind did not receive proper training before the system went online.

Finding 2016-002 of the 2016 SSWAK report cites DWI for failing to implement internal controls over the preparation, review and monitoring of the financial closing package it submitted to the Finance and Administration Cabinet to include in the CAFR. If the errors made by DWI had not been detected, accounts receivable within the Unemployment Insurance fund would have been understated by \$12.9 million, and accounts payable would have been understated by \$2.7 million due to the lack of internal controls and proper review.

The complete SSWAK report, along with the responses to the findings from the various cabinets and state agencies, can be found on at <http://auditor.ky.gov>. Volume 2 of the SSWAK dealing with federal compliance among state agencies will be released in March.

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